Corrective Action Request Verification Report

Organization Name: PT. Sari Bumi Kusuma
Certificate Code: SW FM/COC 002645
Location: Central Kalimantan, Indonesia
Report Date: March 14, 2010

I. AUDIT PROCESS

Auditor, qualifications: Iwan Kurniawan Permadi
Iwan holds a bachelor degree in forest management from Bogor Agricultural University (IPB) and has 5 years experience as forester that covers forest management, forest policy and regulation, forest concessions, forest plantation, and environmental protection. He ran a forestry consultant company from 2004 to 2007 and has been employed by Rainforest-Alliance since 2008 as Forest Management Specialist for SmartWood Program in Asia Pacific Regional Office.
Iwan has participated in 8 FM audits, 5 VLO assessments, 4 VLO audits, 2 CoC Assessments and 2 CoC audit for SmartWood since he attended Rainforest Alliance’s auditor training in June 2008.

Audit date: March 8 - 12, 2010

Review process: (Documents reviewed, persons interviewed, etc.)
Audit reviewed FME’s documents which were submitted to SW on February 10 2010.
The following documents was reviewed during this CVA:
7. *Laporan Dampak Pengambilan Gravel* (Evaluation Report on...
the impact of gravel excavation)

11. *SOP Penanganan Bahan Kimia Berbahaya Pada Aplikasi Pertanian* (Procedure for Hazardous chemical handling on agricultural applications);
12. *SOP Konservasi Tanah Dengan Trap Pengedali Erosi* (Procedure for soil conservation with Erosion traps);
13. *SOP Deaktivasi Jalan Sarad dan TPn* (Procedure for skid trails and Log Landing deactivation);

During the field work, the auditors also interviewed Planning division staffs, environmental division, Community Development staffs at Trial Plot 23 and also local villagers.

**Audit overview:**

<table>
<thead>
<tr>
<th>Major CAR 01/08</th>
<th>Reference to Standard: 6.3.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-compliance: Major ☑ Minor ☐</td>
<td>During observation in plot PP.55, auditors found company has planted Sungkai trees (<em>Peronema canescens</em>) along the road. Purpose of this planting is to control erosion and run-off and as enrichment planting. Due to soil condition in this site, tree planting was found to be inadequate to control run-off effectively.</td>
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</tbody>
</table>

**Audit 2009 findings:**

FME has implemented the use of sediment traps to control erosion, especially in skidtrails. These areas are also planted with local species such as sungkai and meranti. However, auditor still found evidence of continued problems with revegetation and water management on landing, branch road and skid trails that contributes to erosion. Therefore this CAR has been upgraded to MAJOR CAR 01/08.

The remaining elements of this nonconformance, include a lack of detail
in the SOP to provide explicit guidance on erosion control measures on landings and branch roads and initiate formal study (e.g. cover crop or species trials) to identify additional vegetative tools to be used in the stabilization and restoration of harvested and impacted areas.


**Temuan audit 2009:**
PT SBK sudah menerapkan penggunaan penahan sedimen untuk mengendalikan erosi, terutama pada jalan sarad. Areal ini juga ditanami dengan jenis-jenis lokal seperti sungkai dan meranti. Namun demikian, auditor menemukan bukti bahwa masih adanya permasalahan dalam penanaman kembali dan pengelolaan air pada tempat pengumpulan kayu, jalan cabang dan jalan sarad yang masih belum bisa menanggulangi erosi. Dengan demikian CAR ditingkatkan menjadi MAJOR CAR 01/08.

Ada beberapa ketidaksesuaian lainnya termasuk SOP yang kurang memberikan rincian tentang pedoman untuk menganggulangi atau mengendalikan erosi pada tempat pengumpulan kayu dan jalan cabang dan serta memulai studi (misalnya percobaan dengan penanaman berbagai jenis-jenis tanaman bawah) untuk dapat menentukan jenis-jenis vegetasi lain yang dapat digunakan untuk menstabilkan dan merestorasi areal-areal yang terkena dampak di lokasi/areal pemanenan.

### Corrective Action Request:
Company shall develop and implement effective measures to control run off from roads and harvest sites.

**Perusahaan harus membuat dan menerapkan tindakan yang efektif untuk mengendalikan aliran permukaan yang terjadi di jalan logging dan lokasi pemanenan.**

<table>
<thead>
<tr>
<th>Timeline for Compliance:</th>
<th>Within 3 months after report finalization</th>
</tr>
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<tbody>
<tr>
<td>Evidence to close CAR:</td>
<td>The auditor reviewed FME’s procedure for Soil conservation with Erosion traps (“Pengelolaan Tanah dengan Trap Pengendali Erosi” /DOK/PHL/SOP/063/PLTE), and Procedure for skid trails and log landing deactivation (21/E/PRC/DJSTPn/2009). Detailed guidance on erosion control measures with vegetation traps, improvement techniques for establishment water bars and cross drains is incorporated within these revised procedures. These procedures are effectuated on November 1, 2009.</td>
</tr>
<tr>
<td></td>
<td>The auditor observed deactivated skid trail at Compartment 10.Y Km. 77 and found that erosion traps were well established and planted with Dipterocarps trees. The auditor also visited Compartment 11.H Km. 85 to observe the deactivation of ex-log landing and skid trails nearby.</td>
</tr>
</tbody>
</table>
was observed that the log landing which was used on RKT 2009 is planted with Sungkai and other meranti species trees. Water bars and cross-drains on the skid trails nearby the log landing were also observed. Soil and vegetation were found started to be recovered, particularly since cover-crops and vegetation litter were found to be effectively control the run-off and erosion on the opened area.

The FME has finished identification for cover-crops species found within FME’s concession on November 2009. The identification focused on species which were found and suitable to grow in open areas such as deactivated log landings and alongside the roads. FME has identified 20 cover-crop species which can be categorized into 3 (three) Shrubs, 11 (eleven) herbs and 6 (six) trees species.

From total 20 identified species, FME has selected species that potential to be cultivated and used for stabilization and restoration of the harvested and impacted areas. The selected species are as follow:

- **Shrubs:** Lagan and Akar Lomping;
- **Herbs:** Akar Lulur, Akar Gagak, and 1 unknown species named Sp.1
- **Trees:** Jambu Lagan, Ayau and Titap.

All of this species is being further identified at Herbarium Bogoriensis;

The auditor visited compartment 7.E at Km. 50 and observed the growth of Ayau, one of the identified tree species, at the opened areas. The auditor found that the tree species can effectively covered the open areas, particularly ex logging road.

The FME also submitted Guide book for Identification of cover-crops species in logged-over area within PT. Sari Bumi Kusuma. The staffs from environment department were involved in identification and data collection process. This research was conducted in cooperation with researchers from Gadjah Mada University in 2008. The book is distributed to all relevant staffs.

From above findings, the auditor concluded that FME has taken adequate actions to fulfil the gaps with the major non-conformances, therefore the Major CAR can be CLOSED.

<table>
<thead>
<tr>
<th>CAR Status:</th>
<th>CLOSED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Follow-up Actions (if app.):</td>
<td>OBS 01/10</td>
</tr>
<tr>
<td>MAJOR CAR 06/08</td>
<td>Reference to Standard: 6.1.2</td>
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</tr>
<tr>
<td>Non-compliance:</td>
<td>It was found that no impact assessment is carried out prior to site disturbing activities such as gravel excavation, road construction, skid trail construction or harvest operations. According to Criteria 6.1 the company is required to carry out EIA before any such site disturbing activities.</td>
</tr>
<tr>
<td>Major ☒ Minor ☐</td>
<td>2009 audit found that FME has adequate written procedures for impact assessment on a general level but FME was unable to produce documented evidence of company efforts to assess and mitigate environmental impact of specific management activities on a site specific basis.</td>
</tr>
</tbody>
</table>

|  | Temuan menunjukkan bahwa FME tidak melakukan penilaian dampak sebelum dimulainya kegiatan yang berpotensi merusak, seperti aktifitas penggalian batu, pembuatan jalan logging dan jalan sarad ataupun operasi pemanenan. Menurut Kriteria 6.1 perusahaan diharuskan melaksanakan AMDAL sebelum aktifitas yang berpotensi merusak dilakukan. |
|  | Audit yang dilakukan pada tahun 2009 menemukan bahwa FME memiliki prosedur tertulis yang memadai untuk melakukan penilaian dampak secara umum namun demikian FME belum bisa menghasilkan satu dokumen yang dapat dijadikan bukti bahwa FME telah berupaya melakukan penilaian dan mitigasi dampak lingkungan dari kegiatan pengelolaan tertentu yang dilakukan di masing-masing lokasi yang berbeda. |

| Corrective Action Request: | FME shall develop and implement a system for assessing the potential environmental impact of site disturbing activities. This impact assessment shall be consistently carried out prior to site disturbing activities such as, but not limited to, road construction, skid trail construction, gravel excavation, harvesting, log landing establishment and etc. Impact assessments shall be developed and implemented on a site specific basis. Results of EIA shall be considered during implementation of field activities. (e.g. Site checklist/site specific report) |
|  | FME harus membuat dan menerapkan sebuah sistem untuk menilai dampak yang mungkin akan timbul akibat aktivitas yang berpotensi merusak kawasan. Penilaian dampak ini harus dilakukan secara konsisten sebelum kegiatan yang berpotensi merusak dilaksanakan seperti (dan tidak hanya terbatas pada) pembangunan jalan sarad, penggalian batu, pemanenan kayu, pembangunan tempat pengumpulan kayu, dan lain-lainnya. Penilaian dampak ini harus dibangun dan diterapkan berdasarkan karakter masing-masing areal. Hasil dari Analisis Dampak Lingkungan harus ikut diperhitungkan pada saat kegiatan lapangan dilakukan. (Misalnya, pembuatan laporan khusus tentang masing-masing lokasi kegiatan/daftar lokasi) |

| Timeline for Compliance: | Within 3 months after report finalization |
| Evidence to close CAR: | The FME submitted Assessment plan for Impact of Road Construction and harvesting Activities for period 2010 until 2020. The auditor reviewed the document and found that FME planned to conduct the impact assessment at actual blocks level. FME has defined the assessment will be focused on: |
|  | 1. Impact assessment for road construction activities. This assessment |
is conducted prior to starting activity for road construction (Pembukaan Wilayah Hutan/PWH), such as road construction and skid trails construction.

2. Impact assessment for harvesting activities. This assessment is conducted prior to starting harvesting and log landing establishment.

3. Impact assessment for soil erosion and water quality. The FME has established tools for monitoring water level, sediment materials and debit of the watercourse which is considered as outlet of designated block. This assessment is also confirmed with data collection for the perception of the potentially affected communities.

Designated plots/locations for assessment are determined and mapped on operational maps for each blocks by the Planning division in cooperation with the environment division.

Tools for assessment of soil erosion and water quality are using Station for watershed monitoring (Stasiun Pengamatan Air Sungai/SPAS) which is installed in compartment 10.D.

This installation could automatically record the water level, the FME staffs only required to set the time intervals and download the result for further analysis. Water sediment rate is collected through the small pipes for each different water levels. The suspension rate is measured from bottles connected to the other end of the pipes.

Report of the assessment for road construction in RKT 2011 was evident during the audit. The auditor also observed the newly established road at Km. 95. This road is constructed to support the harvesting activity at Block RKT (Annual Operational Plan) 2011.

Tally sheets specifying the indicators for the assessment as well as the questionnaire for collecting opinion from potentially affected communities are attached to the report.

Timeline for assessment plan is stipulated in the document. The maps of the designated location for the assessment in each blocks is also attached.

From the above findings, the auditor found that FME has implemented system for assessing potential environmental impacts from FME’s
The assessment is conducted at landscape level. Therefore the auditor concluded that this Major CAR can be Closed.

Major CAR 03/09

Non-compliance: Major □ Minor □

At the request of villagers, FME has been providing pesticides for agricultural uses, including products on the FSC highly hazardous list

Atas permintaan masyarakat desa, FME telah menyediakan pestisida untuk kegiatan pertanian yang ternyata masuk dalam daftar FSC sebagai bahan kimia berbahaya

Corrective Action Request:
The FME shall:
1. Implement and communicate to villagers a company policy that no highly hazardous pesticides, as defined by FSC, will be used on the FMU.
2. Stop providing and safely dispose the remaining pesticides that are banned by FSC from the storage room located at the community development program office.

FME harus:
1. Melaksanakan dan mengkomunikasikan kepada masyarakat desa tentang kebijakan perusahaan untuk tidak menggunakan pestisida berbahaya, yang telah ditetapkan oleh FSC, didalam kawasan hutan yang dikelolanya.
2. Menghentikan penyediaan pestisida yang dilarang FSC serta melakukan pembuangan secara aman terhadap sisa-sisa pestisida yang terdapat di gudang penyimpanan pada kantor program permerdayaan masyarakat.

Timeline for conformance: Within 3 months after report finalization

Evidence to close CAR:
On November 7, 2009, the Camp Manager has issued acknowledgement letter No. Hs-124/PMDH/ SBK-NN/2009 regarding the ban of supplying prohibited pesticides for community development program. List of FSC prohibited chemical pesticides were attached with the letter. The letter was distributed to Staffs of PMDH (Community Development Program) division and all villages.

The FME staffs have conducted inventory for stock of pesticides in PMDH office at Trial Plot Km. 23 (Kalimantan Barat) and Tanjung Paku Village (Kalimantan Tengah). From this inventory, the FME identified 5 out of 10 pesticides in the storage, as banned pesticide with highly hazardous chemical.

Table List of Chemical Pesticides Provided for PMDH Program

<table>
<thead>
<tr>
<th>Trade Name</th>
<th>Stocks</th>
<th>Chemical contain</th>
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<tbody>
<tr>
<td>Destan 400 EC</td>
<td>3,000 ml</td>
<td>Dimethoate (Banned)</td>
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</tbody>
</table>
The disposal for the identified banned pesticides, as mentioned on the list above, was conducted on November 10, 2009. Minutes and documentation of the disposal were evident during the audit. The banned pesticides were taken out from the container and buried into hole with 1 meter depth. The containers were perished before disposed into the hole.

The auditor visited PMDH office at Trial Plot Km. 23, interviewed Community Development (CD) staffs, checked the storage, and reviewed the records of pesticide supplies for Community Development program. The auditor found that from November 2009 the FME only provide fertilizer and non-banned pesticides, such as: Dharmabas 500 EC, Samite 135 EC, Spontan 400 SL and Supracide 25 WP. PMDH staffs acknowledged that Round Up which also not banned will be provided upon request from villagers. Round Up is commonly used for herbicide to eliminate wild grasses.

The auditor also interviewed Mr. Ariah from Dusun Sungkup. He acknowledged that the PMDH staffs have informed the villagers regarding the banned pesticides. The FME conducted socialization to the villagers about the banned pesticides on November 15, 2009. Documentation and minutes of the socialization were evidenced during the audit. The minute was also acknowledged and signed by local authorities and representative of the villagers.

From above findings, the auditor concluded that the FME has taken adequate actions as required by the Major CAR. Therefore the Major CAR can be CLOSED.

**CAR Status:** CLOSED

**Follow-up Actions (if app.):**

<table>
<thead>
<tr>
<th>CAR 04/09</th>
<th>Reference to Standard: 6.9</th>
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<tbody>
<tr>
<td>Non-conformance: Major □ Minor ✗</td>
<td>During visit in FME, <em>Acacia mangium</em> an exotic species, was found widely being planted by the company since 1990’s to rehabilitate degraded sites and to stabilize the road bank after harvesting operation. This species is known to be an invasive and may create problems due to its allelopathic qualities. There was a</td>
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</table>
potential risk that *A. mangium* will spread easily and dominate these areas.

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**Selama kunjungan lapangan di FME, banyak ditemukan jenis pohon Acacia mangium, yang merupakan jenis eksotis yang ditanam perusahaan sejak tahun 1990 untuk merehabilitasi lahan dan menstabilisasi lahan sepanjang kiri kanan jalan logging setelah dilakukannya operasi pemanenan. Jenis ini dikenal sebagai jenis invasif dan bisa menimbulkan masalah karena bersifat alelopati (mematikan jenis lain yang tumbuh didekatnya). Ada kemungkinan bahwa jenis ini dapat menyebar luas dan mendominasi areal kerja perusahaan.**

**Corrective Action Request:**
The FME shall avoid use of exotic species within the FMU. When exotic species are used for well-justified and specific purposes (e.g. environmental benefit), FME shall develop and implement procedures for the monitoring and control of spontaneous regeneration to prevent its spread inside the natural forest.

**FME harus menghindari penggunaan jenis-jenis eksotis di dalam areal unit kerjanya. Jika jenis pohon eksotis terpaksa ditanam untuk suatu tujuan tertentu, misalnya ada manfaat lingkungan yang dapat diperoleh, maka FME harus membuat dan menerapkan prosedur pemantauan dan pengendalian regenerasi spontannya untuk mencegah penyebarannya di hutan alam yang ada didekatnya.**

**Timeline for conformance:**

**Prior to next annual audit**

**Evidence to close CAR:**

The FME has conducted study to identify the existence of exotic species within the concession, and found 4 exotic species which were planted during 1980’s to restore the soil condition of the opened areas. The identified exotic species are as follow:

1. Mahogany (*Swietenia mahagony*), 47 trees in 1 location.
4. Mangium (*Acacia mangium*), 1,149 trees in 19 locations.

The auditor evaluated report of the study as well as the map of location where the exotic species found.

From those species, only Acacia mangium were considered as invasive species, therefore the FME has developed procedure for elimination of this exotic species trees.

The auditor visited compartment 7.E at Km. 50 and found that company has eliminated mangium trees on that compartment. There were total 89 trees of *Acacia mangium* which were planted on 1997 to restore the soil condition of the area which were used as skid trail.

The trees were eliminated on January 2010. The auditor observed that the average diameter is less than 10 cm. FME concluded that
potential negative impacts of the immediate cutting is considered fairly low since the site condition is not adequately support the growth of the exotic species.

The auditor also visited ex-log landing at Km. 63 which were planted 159 mangium trees to restore the soil and vegetation on that area. The average diameter of the trees is 25 cm. The FME has applied ring-girdling (teresan) to eliminate the trees. The cambium of the stem was removed. It will stop the transpiration process and slowly eliminate the trees. This method was chosen by the FME since the area of the planted trees is considered large, and immediate cutting would negatively impacted the area, as there will be a large opening area if the trees were cut immediately.

However, the environmental staffs monitored these areas and found that there is no spontaneous regeneration after the exotic trees were cut. The monitoring is conducted every 6 months. Monitoring report was evaluated during the audit.

The auditor also found mahogany (Swietenia mahagonys) trees during visit to nursery at KM 53. The mahogany trees are kept since it was considered that the species is not invasive and the trees, which were planted on 1988, would give shade to the nursery.

During observation at KM 95, the auditor found that Albizzia (Paraserienthes falcataria) trees were also eliminated. The albizzia trees were originally planted alongside the roads for soil rehabilitation. The elimination was chosen for RKT 2011, after one full rotation. And for RKT 2011 all the roads will be revisited, therefore these trees were also eliminated during the road construction.

All elimination methods and technical considerations were incorporated in Procedure for controlling Exotic Species (DOK/PHL/SOP/079/PJTI).

<table>
<thead>
<tr>
<th>CAR Status:</th>
<th>CLOSED</th>
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<tbody>
<tr>
<td>Follow-up Actions (if app.):</td>
<td>OBS 01/10</td>
</tr>
</tbody>
</table>
### III. CONCLUSIONS

**Audit Conclusions:**
- ☑ CAR(s) closed
- ☐ No follow-up required
- ☑ New CAR issued
  (document new noncompliance in CAR table below)
- ☐ CAR(s) open
  - ☐ Company shall be suspended (Major CAR is not met)
  - ☐ Minor non-conformance has become a major non-conformance
    (see CAR tables below)

**Comments/Follow-up actions at next audit:**

- New CAR related to training for FME staffs. (6.5.5)

<table>
<thead>
<tr>
<th>CAR 01/10</th>
<th>Reference to Standard: 6.5.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-compliance:</td>
<td>FME has revised their procedure for controlling run-off and newly applied system for assessing road construction and harvesting.</td>
</tr>
<tr>
<td>Major ☐ Minor ☑</td>
<td></td>
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</tbody>
</table>

**Corrective Action Request:**
- FME shall provide training for the relevant staffs related to the revision of the FME’s procedures.

*Perusahaan harus menyediakan pelatihan terkait dengan perbaikan pada prosedur-prosedur Unit Management kepada staf-staf yang terkait.*

<table>
<thead>
<tr>
<th>Timeline for Compliance:</th>
<th>Prior 2010 Annual Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evidence to close CAR:</td>
<td>Pending</td>
</tr>
<tr>
<td>CAR Status:</td>
<td>OPEN</td>
</tr>
<tr>
<td>Follow-up Actions (if app.):</td>
<td></td>
</tr>
</tbody>
</table>

**Report Approved by:**
- Irwan Gunawan

**Date:**
- April 5, 2010

**NOTE:** Report approval is required when auditor is not an authorized to approve SW reports or when the audit conclusion is suspension of the certificate.